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No. 99-1629

Supreme Court, U.S.
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IN THE

Supreme Court of the United States

CHING-RONG WANG,

Petitioner,

—v.—

WINNER HOLDING LLC,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

RESPONDENT'S BRIEF IN OPPOSITION

Robert P. Stein, Esq.*
Kenneth A. Lapatine, Esq.
Adam D. Cole, Esq.
CAMHY KARLINSKY & STEIN LLP
1740 Broadway, 16th Floor
New York, New York 10019
(212) 977-6600

Attorneys for Respondent Winner Holding LLC

Charles L. Gholz, Esq.
OBLON, SPIVAK, MCCLELLAND, MAIER & NEUSTADT, P.C.
1755 Jefferson Davis Highway
Fourth Floor
Arlington, Virginia 22202
(703) 413-3000

**Counsel of Record*

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Parties to the Proceeding (Rule 14.1(b))

The petition accurately lists the original parties to the proceedings below, but does not accurately list the parties as they exist today. Winner International Royalty Corporation no longer exists. Winner Holding LLC, named as respondent in the caption of this brief in opposition, is the successor to Winner International Royalty Corporation

Corporate Disclosure Statement (Rule 29.6)

There is no parent of or publicly held corporation that owns 10% or more of Winner Holding LLC

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STATEMENT OF THE CASE

Respondent Winner International Royalty Corporation ("Winner") submits this brief in opposition to the petition for a writ of certiorari to the United States Court of Appeals for the Federal Circuit of the Petitioner Ching-Rong Wang ("Wang"). The principal issue presented by the petition is whether in conducting a "civil action in a case of interference" pursuant to 35 U.S.C. § 146, the district court was permitted to admit evidence at trial, and then evaluate the evidence and the fact issues to which it corresponded *de novo*. The Federal Circuit ruled in the affirmative. The Federal Circuit's decision comports with federal statutory law, the rulings of this Court, and the rulings of Federal Circuit panels. As such, the petition raises neither a serious or substantial question of federal law, nor a question relating to the administration of justice that would warrant issuance of the writ.

A. Course of Proceedings Below.

This action finds its roots in an "interference" proceeding before the United States Patent and Trademark Office ("PTO"). The interference was commenced to resolve Winner's and Wang's competing claims to an invention of a self-locking, automobile anti-theft device. (App. 2a) Wang ultimately concluded that his invention was *later* in time than Winner's invention. Wang accordingly shifted his position to arguing the common invention unpatentable as obvious in light of the prior art under 35 U.S.C. § 103. (App. 3a)

Consistent with its internal rules, the PTO and the Board of Patent Appeals and Interferences (the "Board"), considered the issues raised in the interference through the written pleadings, exhibits, affidavits submitted by the parties, and deposition transcripts of the affiants which took

place in the absence of Board members. (*Id.*) No live testimony was offered. Indeed, the parties had no right to submit live testimony to the Board under the PTO's rules. (App. 8a); *see* 37 C.F.R. §§ 1.653(a), 1.677(a).[1]

On July 19, 1996, the Board invalidated two claims set forth in United States Patent No. 4,935,047 (the "'047 Patent"), owned by Winner, and three claims set forth in United States Patent Application No. 07/478,411 (the "'411 Application"), owned by Winner, on the ground of obviousness. (App. 28a) After certain procedural wrangling, Winner commenced this action, pursuant to 35 U.S.C. § 146, in the United States District Court for the District of Columbia for relief from the Board's decision. (App. 3a) Wang submitted a counterclaim requesting the remaining claims of the '047 Patent to be invalidated.

In May and June 1998, and consistent with the language, history, and intent of 35 U.S.C. § 146, the district court conducted a seven-day bench trial during which Winner and Wang offered live fact and expert testimony, and multiple exhibits concerning each of the fact issues underlying obviousness. (App. 3a) The live witnesses included both those that submitted written affidavits to the PTO, as well as those that submitted no prior sworn statements. (*Id.*) Similarly, the exhibits admitted during trial were the record before the Board, consisting of the pleadings, legal memoranda, affidavits submitted during the

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[1] Although the rules do not provide for the admission of live testimony, in rare circumstances the Board has required live testimony. *See, e.g., Tropix Inc. v. Lumigen Inc.*, 53 U.S.P.Q.2d 2018, 2020 n. 5 (P.T.O.B.P.A.I. 2000). Live testimony was not required by the Board in this case.

interference, deposition transcripts of the affiants, as well as additional exhibits not considered by the Board. (*Id.*)

Among the new documentary and testimonial evidence submitted at trial were the results of a consumer survey. The consumer survey was admitted to demonstrate that the embodiment of the '047 Patent -- in the Super Club® and Ultra Club® -- was a commercial success, an important consideration in demonstrating non-obviousness. (App. 4a, 26a) The evidence consisted of the survey data, and testimony of the persons that conducted the survey and analyzed its statistical validity. This evidence had not been submitted to or considered by the Board. (App. 4a)

In addition, testimony and exhibits that expanded upon the evidence submitted to the Board was admitted. Numerous demonstrative exhibits were prepared and offered as part of the testimony of an expert in analyzing prior art who did not submit a statement to the Board. Expanded testimony and demonstrative exhibits not before the Board were also offered by witnesses skilled in the art of locks. This further and expanded testimony and exhibits were important in demonstrating the distinctions between the invention and the prior art.

After a *de novo* review of the testimony and exhibits submitted at trial, the district court granted Winner its requested relief from the Board's ruling and upheld the validity of the claims asserted in the '047 Patent and the '411 Application. (App. 27a) Wang thereafter appealed the district court's ruling to the United States Court of Appeals for the Federal Circuit.

B. The Decision of the Court of Appeals

Wang argued in the Federal Circuit that, under 35 U.S.C. § 146, the district court was not permitted to evaluate the evidence submitted at trial *de novo*, and was limited to a review of the Board's decision for the existence of "substantial evidence." (App. 5a) Winner asserted that because 35 U.S.C. § 146 expressly contemplates "further cross-examination" and "further testimony" -- both of which were submitted at trial -- the district court was permitted to evaluate the testimony, evidence, and demeanor of witnesses *de novo* and reach its own factual and legal conclusions concerning obviousness. (*Id.*) Winner further argued that to the extent a "standard of review" applied in the district court, the applicable standard was not "substantial evidence" because the Administrative Procedure Act ("APA") expressly excludes from the "substantial evidence" standard agency factual determinations subject to later trial *de novo* in a district court. (*Id.*); *see* 5 U.S.C. § 706(2)(F).

The Federal Circuit affirmed, ruling that Winner's introduction of "evidence of commercial success that was not before the board," and "admission of live testimony on all matters before the Board" made "a factfinder of the district court and require[d] a *de novo* trial." (App. 7a, 9a) In reaching its ruling, the court pointed to the language of section 146, which expressly contemplates and permits "further testimony." (App. 6a) The court explained that because proceedings under section 146 "may include evidence before the Board as well as evidence that was not before the Board," the Federal Circuit has recognized the district court proceeding as "'a hybrid of an appeal and a trial de novo.'" (*Id.*) Where, as here, "further evidence" --

including new evidence, live testimony and additional documentary exhibits -- was admitted in connection with all fact issues concerning obviousness, the district court became the "factfinder" and thus required "a trial de novo." (App. 9a)

The Federal Circuit also pointed to this Court's decision in *Dickinson v. Zurko*, 527 U.S. 150, 119 S. Ct. 1816 (1999), in which the Court held that when the Federal Circuit directly reviews the Board's fact determinations on the established record, the appropriate standard of review is "court/agency." 119 S. Ct. at 1819. The Court acknowledged, however, that when Board decisions are challenged through a civil action in a district court, the "path permits the disappointed applicant to present to the court evidence that the applicant did not present to the PTO." *Id.* at 1824. The Court concluded in *Dickinson*, and the Federal Circuit agreed, that the "'presence of such *new* or *different* evidence makes a factfinder of the district judge.'" (App. 6a, *quoting Dickinson*, 119 S. Ct. at 1824).

Finally, the Federal Circuit pointed to the limitation on live testimony in interference proceedings not applicable in a district court considering an action pursuant to 35 U.S.C. § 146. (App. 8a-9a) The court observed that live testimony provided the district court a "powerful advantage" in that, unlike proceedings before the Board, the court could "observe demeanor, . . .hear the witnesses rebut one another's testimony in response to questioning from the parties and the judges, and thus determine credibility." (App. 9a) Analyzing credibility of witnesses and the weight given testimony and other evidence "'is a matter for the trier of

facts.'" (*Id.*, *quoting Gyromat Corp. v. Champion Spark Plug Co.*, 735 F.2d 549, 552 (Fed. Cir. 1984)).

Given the statutory and decisional authority, as well as the relevant practical considerations, the Federal Circuit ruled that when live testimony and evidence is submitted on all matters previously before the board, district court becomes a "factfinder" and a trial *de novo* is "triggered." The court of appeals, accordingly, affirmed. Wang's subsequent petition for rehearing and rehearing *en banc* was denied without dissent. (App. 95a)

REASONS FOR DENYING THE WRIT

Wang's claim that the district court erred when it conducted a trial *de novo* does not warrant review by this Court. The Federal Circuit's decision constitutes a correct application of federal law. No serious conflict among the circuit courts, among panels within the Federal Circuit, or with the decisions of this Court is urged in the petition. Nor was there a departure from the accepted and usual course of judicial proceedings, or any important question of federal law that should be settled by this Court.

1. 35 U.S.C. § 141 reflects Congress's historical choice to provide a party dissatisfied with the Board's decision in an interference with a choice: (1) to appeal the decision to the Federal Circuit on the record before the Board, or (2) to seek relief from the decision by plenary action in a district court on proof which may include evidence and live testimony not before the Board. *See also Glidden Co. v. Zdanok*, 370 U.S. 530, 575, 578-79 (1962); *Hoover v. Coe*, 325 U.S. 79, 83, 87 (1945). The choice to proceed in a district court is governed by 35 U.S.C. § 146, entitled "Civil action in case of interference." By its terms,

Section 146 provides "[a]ny party to an interference dissatisfied with the decision of the Board . . . on the interference" with a "remedy by civil action" in a district court.

The historical purpose of providing the dissatisfied party in an interference with a separate avenue of "review" is to permit the party the opportunity to expand on the evidence, and have an opportunity for cross-examination when permitted by the district court. *See Hoover*, 325 U.S. at 87 (commenting on the precursor to section 146, "a formal trial is afforded on proof which may include evidence not presented in the Patent Office"). Section 146 provides that the evidence considered by the district court may include the administrative record, as well as "further testimony" and evidence admitted during trial. 35 U.S.C. § 146. To be sure, section 146 treats the exhibits and testimony in the record before the Board as having been "originally taken and produced in the suit," but since the "testimony" is in affidavit or deposition form, it is treated as such subject to "further cross-examination of the witnesses as the court imposes."

Where, as here, the administrative record is supplemented with new evidence, live trial testimony, cross-examination, and additional trial exhibits, the evidence before the Board is necessarily *different* than that presented to the district court. Thus, the Federal Circuit has repeatedly confirmed that "where new evidence is presented to the district court on a disputed fact question, a *de novo* finding will be necessary to take such evidence into account together with the evidence before the board." *Fregeau v. Mossinghoff*, 776 F.2d 1034, 1038 (Fed. Cir. 1985); *accord In re Leuders*, 111 F.3d 1569, 1577 n. 15 (Fed. Cir. 1997)

(where a party commences an action under 35 U.S.C. § 145 (Civil action to obtain patent) or 35 U.S.C. § 146 (Civil action in case of interference) the "district court would conduct a trial *de novo*"); *Burlington v. Quigg*, 822 F.2d 1581, 1584 (Fed. Cir. 1987) ("when additional evidence is adduced beyond that before the PTO the factual weight must be determined afresh"); *Gould v. Quigg*, 822 F.2d 1074, 1077 (Fed. Cir. 1987) ("if new evidence is presented on a disputed question of fact" in the district court reviewing the decision of the PTO, "a *de novo* fact finding is made by the district court"). The Federal Circuit's affirmance in this case is in accord, and presents no reason either to reexamine or to depart from the law as established by the Federal Circuit in prior decisions.

2. The Federal Circuit's understanding concerning the *de novo* nature of a trial of all fact issues before the Board under section 146 is also consistent with the decisions of this Court. In *Dickinson v. Zurko*, 527 U.S. 150, 119 S. Ct. 1816, 1819 (1999), the Court held that the appropriate standard of review to be applied by the *Federal Circuit* in *direct* review of PTO factual determinations is the "court/agency" standard articulated in the Administrative Procedure Act (the "APA"). Under the APA, appellate courts review agency factual decisions to determine whether they are "arbitrary, capricious, [or] and abuse of discretion," or "unsupported by substantial evidence" based upon the administrative record. 5 U.S.C. § 706.

The Court, however, stated that the "court/agency" standard is inapplicable where the dissatisfied party in the PTO submits additional evidence as part of a district court review pursuant to 35 U.S.C. § 145 -- the parallel provision

to section 146 concerning rejected patent applications. This "second path" of review, the Court explained, "permits the applicant to present to the court evidence that the applicant did not present to the PTO." *Dickinson*, 119 S. Ct. at 1824. "The presence of such new or different evidence *makes a factfinder of the district court*," and "calls for the *court/court* standard of review" in the Federal Circuit. *Id.* (emphasis added). The Court, accordingly, recognized that the district court's decision making process when "new or different" evidence is submitted is that of a factfinder -- a determiner of facts *de novo*.

Here, the "new" and "different" evidence submitted at trial made the district court a finder of facts on evidence both contained and not contained in the administrative record. The Federal Circuit's recognition that such an evaluation of fact was correctly *de novo* is in accord with *Dickinson*, and thus presents no ground for further review in this Court.

3. The Federal Circuit's and this Court's understanding of the district court's factfinding role under sections 145 and 146 is supported by logic and judicial practice. To determine whether the Board's decision was supported by "substantial evidence," the district court necessarily examines the evidence upon which the Board's factfinding was based -- *i.e.*, the evidence submitted to the Board. Section 146 permits submission of *further* evidence, which because not before the Board, is immaterial to whether the Board's decision at the time was supported by substantial evidence. Indeed, the Board's decision could both be supported by substantial evidence when *not* considered in light of further evidence at trial, but be incorrect when considered in light of such further trial evidence. Limiting

the district court's factfinding role to determining whether there was substantial evidence before the Board, accordingly, would render the additional evidence to which a dissatisfied party has been entitled for over a century a nullity.

4. The Federal Circuit's ruling that district court review of Board factfinding is *de novo* under section 146 when evidence apart from the administrative record is submitted is also consistent with the APA. The APA requires a reviewing court to "hold unlawful and set aside agency action, findings, and conclusions found to be . . . *unwarranted by the facts* to the extent that the facts are subject to a trial de novo by the reviewing court." 5 U.S.C. § 706(2)(F) (emphasis added). Thus the traditional "court/agency" review standard -- the "substantial evidence" standard set forth in 5 U.S.C. § 706(2)(E) -- is inapplicable where, as here, the facts considered by the relevant agency were later subject to trial *de novo* in the "reviewing" court.

5. Wang's principal argument in favor of certiorari is that *Dickinson* mandates the "court/agency" review standard in direct appeals from the PTO to the Federal Circuit. (Petition at 16-17) As explained above, however, plenary actions pursuant to section 146 are resolved in the *district court*, and may include -- as here -- "new or additional" evidence. Unlike direct appeals to the Federal Circuit, which are limited to a review of the record before the Board (*see Glidden*, 370 U.S. at 575, 578-79; *Hoover*, 325 U.S. at 83, 87), under *Dickinson*, "[t]he presence of such new or different evidence makes a factfinder of the district judge." 119 S. Ct. at 1824. Stated simply, consideration of "new or different" evidence in addition to the evidence submitted to the Board requires factfinding anew because the evidentiary

collection upon which the district court determines facts is untried. *Dickinson*, accordingly, *supports* the Federal Circuit's decision, and therefore further review by this Court in light of *Dickinson* is unwarranted.

6. Wang next asserts that the "inter-parties" nature of an action pursuant to section 146 precludes the district court's *de novo* review. To the contrary, although parties to an interference are afforded a number of procedural safeguards, there is no right to present live testimony. *See* 37 C.F.R. §§ 1.653(a), 1.677(a). Thus, unlike the district court's adjudication under section 146, which expressly contemplates "further cross-examination" and "further testimony," the Board had no authority to -- and did not -- consider the live testimony, and thus could not adjudge demeanor or credibility of the presented witnesses. Demeanor in and of itself is evidence, and is a valuable component to the factfinder's understanding of the facts and credibility of the testimony. *See Anderson v. City of Bessemer City*, 470 U.S. 564, 575 (1985) ("Variations in demeanor and tone of voice . . . bear so heavily on the listener's understanding of and belief in what was said.").

7. Wang's contention that certiorari should be granted in light of *Citizens to Preserve Overton Bank, Inc. v. Volpe*, 401 U.S. 402 (1971) is also meritless. *Overton* established the rule that, under the APA, *de novo* review is permissible when the agency action "is adjudicatory in nature and the agency factfinding procedures are inadequate." *Id.* at 415. *Overton*, however, did not deal with the circumstance where, as here, the statutory review scheme makes the adequacy of agency factfinding procedures irrelevant, and expressly provides for a trial on the merits in the district

court based upon evidence contained in the administrative record *as well as* additional evidence and testimony. *Overton* is inapposite, and thus presents no ground for further review in this Court.

8. Relying upon a purported "common sense" approach to section 146 actions taken by *Allied Signal, Inc. v. Ludlum Corp.*, 29 U.S.P.Q.2d 1039 (D. Conn. 1993), Wang contends the district court must determine whether the Board's decision was supported by "substantial evidence" regardless of new and different evidence submitted at trial. Wang's suggested procedure, however, is far from "common sense" -- not to mention unfounded in the law -- because it would make the trial mechanism provided under section 146 superfluous. To determine whether the Board's decision was supported by "substantial evidence," the district court necessarily examines the evidence upon which the Board's factfinding was based -- *i.e.*, the evidence submitted to the Board. Section 146 permits submission of *further* evidence at trial, which because not before the Board, is immaterial to whether the Board's decision at the time was supported by substantial evidence.

Indeed, and as explained above, Wang's proposed approach is anomalous. The Board's decision could both be supported by substantial evidence when *not* considered in light of further evidence at trial, but be incorrect when considered in light of such further trial evidence. Under Wang's approach, accordingly, the further evidence to which the dissatisfied party is entitled under section 146 would be meaningless. For the district court could admit further evidence demonstrating that the Board's action was incorrect, but because the evidence before the Board at the time of its

decision was "substantial," the trial evidence would not be considered.

The only "common-sense" standard that is consistent with section 146 is to permit the district court's *de novo* review of evidence when additional testimony or other evidence is submitted on each fact issue previously considered by the Board. The district court here followed that very common-sense approach. Wang's appeal to a different approach inconsistent with section 146 is unwarranted, and thus presents no ground for further review in this Court.

9. Wang next suggests for the first time in this case that the district court's *de novo* consideration of evidence under section 146 violates the separation of powers. To the contrary, in enacting section 146, Congress determined to maintain a procedure to contest PTO action that was in effect for over a century. *See Hoover*, 325 U.S. at 83, 87. Congress vested in the Federal Circuit jurisdiction to consider direct appeals on the record before the Board under the standards set forth in the APA. *See Dickinson*, 119 S. Ct. at 1824. By section 146, Congress made the choice to vest in federal district courts jurisdiction to review Board decisions in light of further evidence regardless of the evidence considered to the Board. *See id.* It is well within Congress's authority to enact -- or with respect to section 146, preserve -- limitations on the scope of review provisions set forth in the APA.

Morgan v. Daniels, 153 U.S. 120 (1894), to which Wang refers (Petition at 20) is off the point. *Morgan* was an action seeking relief from a decision in an interference where the dissatisfied party submitted no additional evidence, and

instead rested on the administrative record. *Id.* at 122. Moreover, the Court in *Morgan* -- a pre-APA case -- recognized Congress's intent to maintain "bills in equity" to challenge PTO interference decisions, and to carve out for the district court final decision making authority: "[W]ere it not for the terms of this statute [the precursor to section 146], that decision of the patent office was a finality on every matter of fact." *Id.*

10. Wang's final plea is that certiorari is necessary to prevent hindering "the proper administration of the patent system." (Petition at 23) The Constitution, however, vests the power to "promote the Progress of . . . useful Arts" in Congress -- not in this Court. U.S. Const., Art. I, § 8, Cl. 8. As part of that system, Congress has chosen to maintain a path by which a party dissatisfied with the outcome of an interference may contest the Board's decision in a district court with further testimony and cross-examination. 35 U.S.C. § 146. By maintaining that system for over a century -- starting before the APA was enacted -- Congress has applied its stamp of approval for a district court's factual check upon the PTO based upon a review of evidence submitted at trial, including the Board record. *Id.* ("The testimony and exhibits of the record in the Patent and Trademark Office when admitted shall have the same effect as if originally taken and produced in the suit.").

That the Board may have more experience in patent matters than a district court is beside the point because the process set forth in section 146 is the will of Congress, enacted pursuant to an express provision of the Article I of the Constitution. It is not for this Court to challenge Congress's choice, short of an allegation of

unconstitutionality, and therefore the petition presents no valid ground for certiorari based on the impact the Federal Circuit's decision will have on the patent system.

11. In short, there is no conflict on an important matter between any decision of this Court and the decision of the court of appeals below. There is no conflict on an important matter between decisions within Federal Circuit that is raised in the petition. And there is no valid challenge to any action of the lower courts in the nature of an assertion that they have "so far departed from the accepted and usual course of judicial proceedings . . . as to call for an exercise of this Court's supervisory powers." Sup. Ct. R. 10(a).

CONCLUSION

For the reasons set forth above, the Court should deny the petition for writ of certiorari.

Dated: May 10, 2000

Respectfully submitted,

Robert P. Stein, Esq.*
Kenneth A. Lapatine, Esq.
Adam D. Cole, Esq.
CAMHY KARLINSKY & STEIN LLP
1740 Broadway, 16th Floor
New York, New York 10019
(212) 977-6600

Charles L. Gholz, Esq
OBLON, SPIVAK, MCCLELLAND,
MAIER & NEUSTADT, P.C.
1755 Jefferson Davis Highway,
Fourth Floor
Arlington, Virginia 22202
(703) 413-3000

Attorneys for Winner International Royalty Corporation

* *Counsel of Record*